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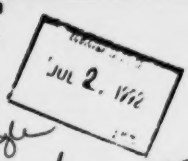

92-2259

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended May 18, 1992

OR

___ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

for the transition period from _____ to _____

Commission file number 0-10316

CARL KARCHER ENTERPRISES, INC.
(Exact name of registrant as specified in its charter)

CALIFORNIA	95-2415578
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1200 North Harbor Boulevard, Anaheim, CA	92801
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (714) 774-5796

NOT APPLICABLE
Former name, former address and former fiscal year, if changed since last report.

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

APPLICABLE ONLY TO CORPORATE ISSUERS: Indicate the number of shared outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 18,006,310 as of July 1, 1992

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CARL KARCHER ENTERPRISES, INC.

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CARL KARCHER ENTERPRISES, INC.
BALANCE SHEETS
(Dollars in Thousands)

ITEM 1. **FINANCIAL STATEMENTS**

	May 18, 1992 (Unaudited)	January 27, 1992
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6,841	$ 10,924
Marketable securities	32,520	25,764
Accounts receivable	12,854	10,042
Current portion of related party notes receivable	396	392
Inventories	8,680	7,241
Restaurant property costs to be reimbursed or sold and leased back	14,186	14,944
Other current assets	14,128	14,460
Total current assets	89,605	83,767
	129,430	138,338
Property and equipment, net	36,277	36,678
Property under capital leases, net	10,764	10,503
Long-term investments	18,559	13,930
Notes receivable	4,952	4,988
Related party notes receivable	4,201	4,347
Other assets	$293,788	$292,551
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 26,837	$ 29,759
Obligations secured by marketable securities and long-term investments	14,019	8,619
Current portion of capital lease obligations	3,012	2,959
Accounts payable	18,765	16,280
Salaries, wages and other accrued liabilities	30,588	33,082
Restructuring reserve	1,139	1,552
Total current liabilities	94,360	92,251
	46,668	50,485
Long-term debt	51,244	51,589
Capital lease obligations	8,381	8,547
Other long-term liabilities		
Shareholders' equity:		
Preferred stock, no par value; authorized 2,000,000 shares; none issued or outstanding		
Common stock, no par value; authorized 22,500,000 shares; issued and outstanding 18,005,746 and 17,918,314 shares	27,378	26,788
Retained earnings	65,757	62,891
Total shareholders' equity	93,135	89,679
	$293,788	$292,551

CARL KARCHER ENTERPRISES, INC.
STATEMENTS OF INCOME
(In Thousands Except per share Amounts)
(Unaudited)

	Sixteen Weeks Ended	
	May 18, 1992	May 20, 1991
Revenues:		
Restaurant sales	$134,930	$145,489
Food service sales	21,247	17,649
Franchise revenues	2,063	1,318
International	171	169
Other	484	414
	158,895	165,039
Costs and expenses:		
Cost of sales:		
Restaurants	119,813	127,860
Food service	20,169	16,589
General and administrative	14,693	14,320
Interest expense	4,563	5,482
	159,238	164,251
Other income, net	5,123	3,139
Income before income taxes	4,780	3,927
Income tax expense	1,554	1,245
Net income	$ 3,226	$ 2,682
Earnings per share:		
Primary	$.18	$.15
Fully diluted	$.18	$.15
Weighted average shares outstanding:		
Primary	18,327	18,162
Fully diluted	18,327	18,184

CARL KARCHER ENTERPRISES, INC.
STATEMENTS OF CASH FLOWS
(In Thousands)
(Unaudited)

	Sixteen Weeks Ended	
	May 18, 1992	May 20, 1991
Net cash flow from operating activities:		
Net income	$ 3,226	$ 2,682
Adjustments to reconcile net income to net cash provided by operating activities:		
Noncash franchise revenues	(540)	(124)
Depreciation and amortization	8,020	8,298
(Gain)loss on sale of property and equipment	(844)	50
Write-down of marketable securities	118	
Net noncash investment income	(4)	(132)
Net change in marketable securities reserve	80	29
Net change in receivables, inventories and other current assets	(3,678)	(37)
Net change in other assets	54	(16)
Net change in accounts payable and accrued expenses	(1,274)	(4,478)
Net cash provided by operating activities	5,158	6,272
Cash flow from investing activities:		
Construction of restaurant property to be reimbursed or sold and leased back	(5,183)	(4,594)
Sale of or reimbursement on restaurant property to be sold and leased back	4,641	828
Purchases of:		
Marketable securities	(13,132)	(9,578)
Property and equipment	(2,443)	(7,028)
Long-term investments	(1,654)	(2,168)
Proceeds from sale of:		
Marketable securities	10,877	16,030
Property and equipment	1,255	810
Long-term investments	1,366	1,072
Collections on leases receivable	92	61
Collections on notes receivable and related party notes receivable	1,364	2,325
Net cash used in investing activities	(2,817)	(2,242)
Cash flow from financing activities:		
Net change in bank overdraft	810	(164)
Net change in obligations secured by marketable securities and long-term investments	770	(528)
Increase in short-term borrowings	32,600	34,400
Payments on short-term borrowings	(35,600)	(29,200)
Increase in long-term debt		220
Payments on long-term debt	(3,739)	(3,154)
Payments on capital lease obligations	(758)	(671)
Net change in other long-term liabilities	(737)	(639)
Repurchase and retirement of common stock		(1,461)
Exercise of stock options	590	335
Payment of dividends	(360)	(357)
Net cash used in financing activities	(6,424)	(1,219)
Net increase (decrease) in cash and cash equivalents	$ (4,083)	$ 2,811

CARL KARCHER ENTERPRISES, INC.
STATEMENTS OF CASH FLOWS
(In Thousands)
(Unaudited)

	Sixteen Weeks Ending	
	May 18, 1992	May 20, 1991
Supplemental disclosures of cash flow information:		
Cash paid during period for:		
Interest (net of amount capitalized)	$ 4,673	$ 6,050
Income taxes	1,657	2,257
Noncash investing and financing activities:		
Investing activities:		
Transfers of marketable securities to long-term investments		4,567
Transfers of long-term investments to marketable securities	22	1,998
Other investing activities:		
Net change in marketable securities from noncash transactions	(4,677)	(2,242)
Net change in long-term investments from noncash transactions	5	2,110
Net change in dividends receivable	38	
Net change in obligations secured by marketable securities and long-term investments	4,630	
Leasing activities:		
Capital lease additions	1,047	505
Other leasing activities:		
Decrease in property under capital leases	398	
Decrease in capital lease obligations	(581)	
Franchising activities:		
Sale of property and equipment	3,970	590
Sale of inventory	100	13
Assumption of various liabilities	702	36
Increase in notes receivable	(5,129)	(763)
Sale and leaseback transactions resulting in an increase to notes receivable	1,300	

CARL KARCHER ENTERPRISES, INC.
NOTES TO FINANCIAL STATEMENTS
MAY 18, 1992 AND MAY 20, 1991

NOTE (A) BASIS OF PRESENTATION

The accompanying unaudited financial statements have been prepared in accordance with the requirements of Form 10-Q and, therefore, do not include all information and footnotes which would be presented were such financial statements prepared in accordance with generally accepted accounting principles. These statements should be read in conjunction with the audited financial statements presented in the Company's 1992 Annual Report to Shareholders. In the opinion of management, the accompanying financial statements reflect all adjustments which are necessary for a fair presentation of the results for the interim periods presented. The results of operations for such interim periods are not necessarily indicative of results to be expected for the full year.

NOTE (B) INCOME TAXES

In February 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 109 (SFAS 109), "Accounting for Income Taxes". The Company is required to adopt this new standard, which supercedes Statement of Financial Accounting Standards No. 96 issued in 1987, by fiscal 1994. Adoption is permitted on either a prospective or retroactive basis. The Company has not yet completed all of the analysis required to estimate the impact of SFAS 109, nor has it determined how this adoption will be reflected.

NOTE (C) RECLASSIFICATIONS

Certain prior year amounts in the accompanying financial statements have been reclassified to conform to the fiscal 1993 presentation.

CARL KARCHER ENTERPRISES, INC.
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FINANCIAL CONDITION

Overview

The Company's franchising base continued its growth during the first quarter of fiscal 1993. A total of 31 new franchised restaurants were added to the Carl's Jr. system during the 16-week period ended May 18, 1992, 27 of which were previously Company-operated. As such, the total number of franchised restaurants as of the end of the first quarter rose to 227, and the percentage these restaurants represent as a total of all Carl's Jr. restaurants rose to 36%.

Proceeds from the sales of Company-operated restaurants to franchisees generally include a 15% to 25% cash down payment and an interest-bearing promissory note secured by the property and equipment sold. A total of $5.1 million of new notes were accepted during the first quarter of this year in connection with these sales. As of May 18, 1992, the total of all such notes due from franchisees was $24.8 million.

Liquidity and Capital Resources

The Company's primary source of cash is its retail restaurant sales. Available for use in the Company's cash management program at May 18, 1992 were cash, cash equivalents and marketable securities totaling $25.3 million, net of obligations secured by marketable securities and long-term investments.

Included in current liabilities are borrowings totaling $16 million drawn against the Company's $25 million revolving credit line. The line is due to mature on August 31, 1992. The Company plans to renegotiate this line and expects to extend the maturity date another one to two years as a result. The Company believes it has sufficient alternative sources of capital in the event this line is not renewed.

The Company's reduced expansion program in these challenging economic times has lessened the need for capital. Nine new Company-operated restaurants are scheduled to open in the current year, as compared with 19 new restaurants which opened in the prior fiscal year. The Company believes that cash generated from operations will continue to be the primary funding source for its expansion. Sale and leaseback financing will also be used as appropriate.

During the current quarter no shares of the Company's common stock were repurchased pursuant to the $5 million stock repurchase program authorized by the Board of Directors in February 1991.

RESULTS OF OPERATIONS

For the 16 weeks ended May 18, 1992, restaurant sales decreased 7% to $134.9 million from $145.5 million a year ago. This was due to a decrease in the weighted average number of restaurants operating in the current quarter as a result of the Company's on-going franchising effort, and negative real growth of approximately 4% .

The 20% increase in food service revenues was mainly attributable to an increase in the sales of food and supplies to franchisees. More franchisees were purchasing these items from the Company in the first quarter of this year as compared with the first quarter of last year due to the growth in the number of franchisees operating system-wide since the year ago quarter.

(Continued)

Sales to other outside parties also contributed to the increase in food service revenues, increasing $824,000, or 20%, to $5 million for the 16-week period ended May 18, 1992. These revenues are expected to decline somewhat in future periods in conjunction with the Company's plans to phase out all such non-meat sales. Overall, this decision should enhance the Company's profitability, however, as these non-meat outside sales have been producing lower gross margins than desired. Additionally, this move will permit more productive use of the Company's existing facilities and refocus the Company's resources on its core restaurant business.

Franchise revenues rose primarily due to the addition of 25 more franchised restaurants in the first quarter of this year as compared with last year, which resulted in more initial franchise fees earned in this quarter as compared with a year ago. Royalties were also higher in the current year due to the increase in the number of franchisees since the first quarter of the fiscal 1992.

International revenues consist of initial licensing fees and royalties. Initial licensing fees declined in the current 16-week period, but were offset by an increase in royalties, resulting in comparable total international revenues in both years. Other revenues for both periods were also comparable.

Company-operated restaurant margins in the first quarter of this year declined somewhat as compared with the prior year despite a reduction in food and paper costs in the current year. Offsetting these savings were increases in labor and benefit costs. These margins were also impacted by the lower fiscal 1993 sales, which resulted in certain facility costs increasing as a percentage of sales.

Food service margins for both 16-week periods were comparable despite an increase in food service revenues. Prices charged to the franchisees were lower in the current year as compared with a year ago so as to remain competitive in this increasingly important market.

General and administrative expenses were slightly higher in the current year as compared with the year ago quarter primarily due to higher franchise support costs and real estate administration costs associated with the leasing or subleasing of a number of restaurants to franchisees.

Lower average debt levels outstanding throughout the current 16-week period as compared to the comparable prior year period resulted in decreased interest expense on the Company's revolving credit line, notes payable and capital lease obligations. Lower interest rates associated with both the revolving line of credit and the obligations secured by marketable securities and long-term investments also contributed to the decrease in interest expense.

Other income, net, is mainly comprised of gains on sales of restaurants, investment income and interest on notes and leases receivable. Gains on sales of restaurants and interest income from notes receivable, leases receivable and other nonrecurring sources increased $1.3 million and $538,000 in the current year, respectively, largely as a result of the sales of 27 Company-operated restaurants to and accompanying notes from franchisees.

Higher income before income taxes in the fiscal 1993 quarter resulted in an increase in income tax expense for that period.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibit 11 Calculation of Earnings per Share

(b) No reports on Form 8-K were filed during the sixteen weeks ended May 18, 1992

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has fully caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CARL KARCHER ENTERPRISES, INC.
(Registrant)

July 2, 1992
Date

Group Vice President and
(Chief Financial Officer)

EXHIBIT 11

CARL KARCHER ENTERPRISES, INC.
CALCULATION OF EARNINGS PER SHARE
(In Thousands Except Per Share Amounts)

	Sixteen Weeks Ended	
	May 18, 1992	May 20, 1991
PRIMARY EARNINGS PER SHARE		
Net income	$ 3,225	$ 2,682
Weighted average shares outstanding:		
Common stock outstanding from beginning of year	17,918	18,017
Pro-Rata Shares:		
Exercise of stock options	53	25
Repurchase and retirement of shares		(132)
Dilutive effect of outstanding stock options	356	252
	18,327	18,162
Primary earnings per share	$ .18	$ .15
FULLY DILUTED EARNINGS PER SHARE		
Net income	$ 3,225	$ 2,682
Weighted average shares outstanding:		
Common stock outstanding from beginning of year	17,918	18,017
Pro-Rata Shares:		
Exercise of stock options	53	25
Repurchase and retirement of shares		(132)
Dilutive effect of outstanding stock options	356	274
	18,327	18,184
Fully diluted earnings per share	$ .18	$ .15